

## 1998 SMALL BUSINESS PROFILE

### SMALL BUSINESS: HEART OF THE TENNESSEE ECONOMY

The importance of small business to the state of Tennessee is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

**Number of Businesses** - In 1997, Tennessee had 108,263 businesses with employees; 97.4 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 268,000 self-employed persons in 1997.

**Small Business Income** - The income of sole proprietors and partners rose 5.7 percent to \$10.6 billion in 1997, while wage-and-salary income rose 6.3 percent. The state also exported \$9.9 billion of goods in 1997. (In 1992, 72.2 percent of the exporters in the state were small businesses.)

**Women-Owned Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 139,300 women-owned businesses in Tennessee, including part-time firms, employing 262,700 people and generating \$29.5 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 89.9 percent.

**Minority Businesses** - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 43.1 percent from 1987 to 1992, totaling 14,920 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 189.2 percent during the same time period with 1,602 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 1,664 in 1987, to 3,026 in 1992, representing an 81.9 percent increase.

**Business Turnover** - Between 1996 and 1997, the number of new firms increased 3.6 percent, while new business incorporations decreased 3.7 percent. Financial difficulties leading to business bankruptcies decreased by 1.8 percent and business failures increased by 29.0 percent.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Tennessee decreased from 250 in 1994 to 234 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
FIRST BK OF RHEA CTY	Spring City
VOLUNTEER B&TC	Chattanooga
AMERICAN CITY BK	Tullahoma
CITIZENS CMNTY BK	Winchester
FIRST BK	Lexington
FARMERS & MRCH BK	Clarksville
FIRST ST BK	Covington
CITIZENS BK	Carthage
CITIZENS NB	Athens
JACKSON B&TC	Gainesboro
FARMERS BK	Portland
FIRST NB	Oneida
FIRST FARMERS & MRCH NB	Columbia
FIRST AMER NB	Nashville
FIRST TENNESSEE BK NA MMPHS	Memphis

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

**Job Growth** - From 1992 to 1996, small businesses (fewer than 500 employees) created 85.2 percent of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	132,450	53,726	48,582	77,166	54,266	366,190
Manufacturing	4,287	5,625	5,535	15,514	(17,555)	13,406
Retail Trade	28,572	6,158	7,915	8,473	(7,567)	43,551
Services	64,019	26,284	26,007	42,628	64,934	223,873
Other	35,572	15,661	9,125	10,551	14,453	85,361

**Industries** - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in Tennessee, followed by Eating & Drinking Places. The fastest growing

industry for small business is Transportation By Air (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	2,153,244	100.0	47.0
Health Services	8000	239,078	11.1	35.5
Eating & Drinking Places	5800	158,036	7.3	52.4
Business Services	7300	129,851	6.0	48.4
Wholesale Trade - Durable Goods	5000	77,089	3.6	71.2
Food Stores	5400	76,768	3.6	34.1

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	1,011,942	100.0	47.0
Health Services	8000	84,816	11.1	35.5
Eating & Drinking Places	5800	82,749	7.3	52.4
Business Services	7300	62,822	6.0	48.4
Special Trade Contractors	1700	59,199	2.8	96.7
Wholesale Trade - Durable Goods	5000	54,891	3.6	71.2

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	1,011,942	47,429	4.7
Transportation By Air	4500	855	159	18.6
Elec. Equip. & Components Except Compt.	3600	5,091	799	15.7
Nondepository Credit Institutions	6100	2,669	344	12.9
Miscellaneous Repair Services	7600	7,054	839	11.9
Special Trade Contractors	1700	59,199	6,779	11.5

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.